

**BOYNTON BEACH POLICE OFFICERS' PENSION FUND
MINUTES**

May 09, 2023

10:30 AM

The regular meeting of the Board of Trustees of the City of Boynton Beach Police Officers' Pension Fund was called to order on behalf of the Board by Chairman Jason Llopis on May 09th, 2023 at 10:31 AM. This meeting was held at Boynton Beach City Hall Commission Chambers 100 East Ocean Avenue, Boynton Beach, Florida.

1034

TRUSTEES PRESENT:

Mr. Jason Llopis -Chairman; Mr. Brian McDeavitt-Trustee; Mr. Russell Faine-Trustee, Ms. Rachel Moccia-Trustee

TRUSTEES ABSENT:

Mr. Matthew Zeller – Trustee

OTHERS PRESENT:

Mr. Louis Penque – Plan Administrator

Ms. Bonni Jensen, Board Attorney – Klausner, Kaufman, Jensen & Levinson

Mr. Darrin Hogsed – Russell Investments

Mr. Frank Wan – Burgess Chambers & Associates

Mr. Peter Strong – Gabriel, Roeder, Smith and Company

PUBLIC COMMENT:

None

CONSENT AGENDA:

APPROVAL OF THE MINUTES:

The Board reviewed the Minutes from the Special Pension Meeting held on April 10th, 2023, Trustee McDeavitt made a motion to approve the minutes, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 4-0.

WARRANTS:

The Board reviewed warrants 673 through 677. After review and consideration, Trustee McDevitt made a motion to approve as presented, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 4-0.

ACTUARY REPORT:

Mr. Strong presented the Actuarial Valuation Report as of October 1, 2022. He first covered the Comparison of Required Employer Contributions which reflected an increase of \$727,723.00. There was an increase as a percentage covered payroll of 03.90%. The significant investment losses of FY 2022 (-14.4%) were a major contributing factor to the increase along with a variety of other factors.

	For FYE 9/30/24 Based on 10/1/2022 Valuation	For FYE 9/30/23 Based on 10/1/2021 Valuation	Increase (Decrease)
Required Employer/State Contribution As % of Covered Payroll	\$ 8,328,889 62.11 %	\$ 7,601,166 58.31 %	\$ 727,723 3.80 %
Estimated State Contribution As % of Covered Payroll	\$ 465,087 3.47 %	\$ 465,087 3.57 %	\$ 0 (0.10) %
Required Employer Contribution As % of Covered Payroll	\$ 7,863,802 58.64 %	\$ 7,136,079 54.74 %	\$ 727,723 3.90 %

The employer contribution listed above is for the City's fiscal year ending September 30, 2024 has been calculated assuming the employer contribution is made on October 1, 2023. The actual City contribution for the fiscal year ending September 30, 2022 was \$6,689,463, which equals the the required contribution of \$6,689,463.

The required employer contribution has been computed under the assumption that the amount to be received from the State next year will be at least \$465,087. The City may not take credit for State revenue in excess of \$465,087. If the next payment from the State falls below \$465,087, the City must raise its contribution by the difference.

There was a net actuarial experience loss of \$7,695,836 for the year, which means that actual experience was less favorable than expected. The largest source of experience loss was lower than expected investment earnings on the actuarial value of assets. The return on the actuarial value of assets was 3.5% versus 6.9% expected. The return on the market value of assets was -14.4%. In addition, salary increases were higher than expected (12.1% average actual salary increases actual versus 5.4% expected, on average), and there were more retirements than expected (10 actual versus 5 expected).

The net actuarial loss for the year caused an increase in the annual required employer contribution of 4.26% of covered payroll (or \$571,262).

The funded ratio is 65.0% as of October 1, 2022 compared to 66.9% as of October 1, 2021. The funded ratio is equal to the actuarial value of assets divided by the actuarial accrued liability.

Analysis of Change in Employer Contribution

The components of change in the required employer contribution are as follows:

Contribution Rate Last Year	54.74 %
Actuarial Experience	4.26
Change in Administrative Expense	0.07
Amortization Payment on UAL	(0.09)
Change in State Contribution	0.10
Change in Normal Cost Rate	(0.44)
Change in Benefits	0.00
Change in Assumptions and Methods	0.00
Contribution Rate This Year	<u>58.64 %</u>

Trustee McDeavitt made a motion to approve as presented, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 3-0.

The current calculated City contribution requirement is 58.64% of payroll starting October 1, 2023. It is important to keep in mind that under the asset smoothing method, gains and losses are recognized over five years. As of September 30, 2022, the actuarial value of assets exceeded the market value of assets by \$17,168,996. Once all the gains and losses through September 30, 2022 are fully recognized in the actuarial asset values, the contribution rate is expected to increase by roughly 9.50% of payroll before any other changes are taken into account, unless there are offsetting experience gains.

If Market Value had been the basis for the valuation, the City contribution rate would have been 68.14% (\$9,137,742) for the fiscal year ending September 30, 2024, and the funded ratio would have been 54.7%. The funded ratio on a market value basis was 71.4% last year.

Conclusion

It is important to note that Plan assets are not sufficient to cover the liabilities for current retirees. As of October 1, 2022, the shortfall based on the net market value of Plan assets is approximately \$17.4 million.

It is also important to note that the funded ratio was over 96.5% in the year 2000 but is currently 65.0% (54.7% based on the net market value of assets). Multiple steps have been taken to address this issue, including reducing the investment return assumption, shortening the UAAL amortization period, applying a portion of the annual insurance premium tax money to the UAL, and conducting an experience study and implementing new assumptions based on actual experience. Over time, these changes should help the Plan's funded status improve, assuming future experience does not deviate significantly from the actuarial assumptions.

The remainder of this Report includes detailed actuarial valuation results, financial information, miscellaneous information and statistics, and a summary of plan provisions.

Mr. Strong then reviewed over the Actuarially determined employer contribution :

A. Valuation Date	October 1, 2022	October 1, 2021
B. ADEC to Be Paid During Fiscal Year Ending	9/30/2024	9/30/2023
C. Assumed Date of Employer Contribution	10/1/2023	10/1/2022
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 5,263,610	\$ 4,586,157
E. Employer Normal Cost	2,862,675	2,828,989
F. ADEC if Paid on the Valuation Date: D+E	8,126,285	7,415,146
G. ADEC Adjusted for Frequency of Payments	8,126,285	7,415,146
H. ADEC as % of Covered Payroll	62.11 %	58.31 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	2.50 %	2.50 %
J. Covered Payroll for Contribution Year	13,409,900	13,035,785
K. ADEC for Contribution Year: H x J	8,328,889	7,601,166
L. Estimate of State Revenue in Contribution Year	465,087	465,087

M. Actuarially Determined Employer Contribution (ADEC) in Contribution Year	7,863,802	7,136,079
N. ADEC as % of Covered Payroll in Contribution Year: M + J	58.64 %	54.74 %

This was followed by a review of the Actuarial value of benefits and assets:

A. Valuation Date	October 1, 2022	October 1, 2021
B. Actuarial Present Value of All Projected Benefits for		
1. Active Members		
a. Service Retirement Benefits	\$ 70,498,029	\$ 71,708,960
b. Vesting Benefits	5,273,809	5,014,873
c. Disability Benefits	1,832,858	1,784,496
d. Preretirement Death Benefits	564,424	551,629
e. Return of Member Contributions	275,831	216,403
f. Total	<u>78,444,951</u>	<u>79,276,361</u>
2. Inactive Members		
a. Service Retirees & Beneficiaries	105,883,889	93,559,105
b. Disability Retirees	3,066,534	3,215,189
c. Terminated Vested Members	5,960,970	6,379,942
d. Total	<u>114,911,393</u>	<u>103,154,236</u>
3. Total for All Members	193,356,344	182,430,597
C. Actuarial Accrued (Past Service) Liability	167,421,363	157,898,327
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	153,070,510	143,871,271
E. Plan Assets		
1. Market Value	91,574,276	112,701,939
2. Actuarial Value	108,743,272	105,675,722
F. Unfunded Actuarial Accrued Liability: C - E2	58,678,091	52,222,605
G. Actuarial Present Value of Projected Covered Payroll	97,786,623	90,486,748
H. Actuarial Present Value of Projected Member Contributions	8,311,863	7,691,373

I. Accumulated Contributions of Active Members

6,540,928

6,783,552

Mr. Strong then reviewed the Actuarial Value of assets to show the Board the effects of the last FY Investment losses of 19,699,101.00 and the assumption was to get a return of 8,936,785.00. The total loss for smoothing purposes was 28,635,886, which will be experienced over the next 5 years:

Valuation Date – September 30	2021	2022	2023	2024	2025	2026
i. Actuarial Value of Assets Beginning of Year	\$ 115,619,891	\$ 125,913,124	\$ -	\$ -	\$ -	\$ -
ii. Market Value End of Year	132,939,341	113,761,786	-	-	-	-
iii. Market Value Beginning of Year	111,887,205	132,939,341	-	-	-	-
iv. Non-Investment/Administrative Net Cash Flow	263,241	521,546				
v. Investment Income						
E1. Actual Market Total: B-C-D	20,788,895	(19,699,101)	-	-	-	-
E2. Assumed Rate of Return	7.00%	6.90%	6.90%	6.90%	6.90%	6.90%
E3. Assumed Amount of Return	8,312,586	8,936,785	-	-	-	-
E4. Amount Subject to Phase-In: E1-E3	12,476,309	(28,635,886)	-	-	-	-
vi. Phase-In Recognition of Investment Income						
F1. Current Year: 0.2 x E4	2,495,262	(5,727,177)	-	-	-	-
F2. First Prior Year	(660,861)	2,495,262	(5,727,177)	-	-	-
F3. Second Prior Year	(424,347)	(660,861)	2,495,262	(5,727,177)	-	-
F4. Third Prior Year	(123,552)	(424,347)	(660,861)	2,495,262	(5,727,177)	-
F5. Fourth Prior Year	430,904	(123,550)	(424,349)	(660,862)	2,495,261	(5,727,178)
F6. Total Phase-Ins	1,717,406	(4,440,673)	(4,317,125)	(3,892,777)	(3,231,916)	(5,727,178)
vii. Actuarial Value of Assets End of Year						
G1. Preliminary Actuarial Value of Assets:	\$ 125,913,124	\$ 130,930,782	\$ -	\$ -	\$ -	\$ -
G2. Upper Corridor Limit: 120%*B	159,527,209	136,514,143	-	-	-	-
G3. Lower Corridor Limit: 80%*B	106,351,473	91,009,429	-	-	-	-
G4. Funding Value End of Year	125,913,124	130,930,782	-	-	-	-
G5. Less: State Contribution Reserve	(306,156)	(373,140)	-	-	-	-
G6. Less: DROP Account Balances	(17,152,201)	(19,412,279)	-	-	-	-
G7. Less: Supplemental Benefit Reserve	(2,779,045)	(2,402,091)	-	-	-	-
G8. Final Funding Value End of Year	105,675,722	108,743,272	-	-	-	-
viii. Difference between Market & Actuarial Value	\$ 7,026,217	\$ (17,168,996)	\$ -	\$ -	\$ -	\$ -
ix. Actuarial Rate of Return	8.45%	3.47%	0.00%	0.00%	0.00%	0.00%
x. Market Value Rate of Return	18.07%	-14.43%	0.00%	0.00%	0.00%	0.00%
xi. Ratio of Actuarial Value to Market Value	94.71%	115.09%	0.00%	0.00%	0.00%	0.00%

Mr. Strong concluded his report by reviewing over a historical Investment Rate of Return for the plan. Mr. Strong took the experience for several plans that he oversees for comparison to this plan. Using the average return this plan scored as follows:

Last 5 years 3.4%

Last 10 years 5.9%

This was significantly on the lower end when compared to other plans which had a range as follows:

Last 5 years 3.0% -7.7%

Last 10 years 5% - 8.7%

Mr. Strong also gave the return comparing to the Boynton Beach Fire Department as Follows:

Last 5 years 53.0%

Last 10 years 7.4 %

At the conclusion of the report Trustee McDeavitt made a motion to approve the report as presented. The motion was seconded by Trustee Moccia. The motion passed without opposition 4-0.

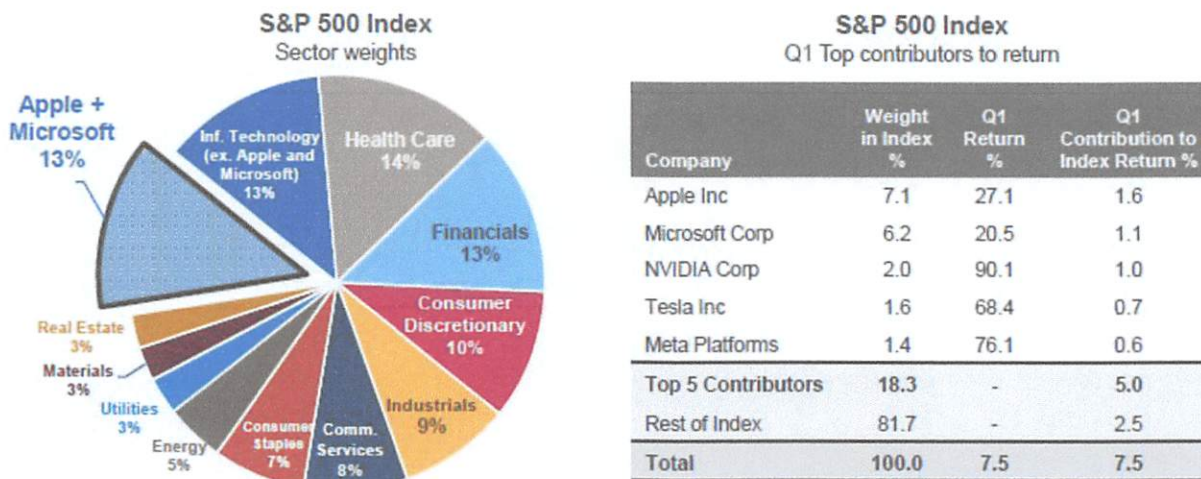
The Board agreed to maintain the assumed rate at 6.9%, for Short-term, Mid- term and Long- term returns. The motion was made by Trustee Brian McDeavitt and it was seconded by Trustee Faine. The motion passed without opposition 4-0.

For purposes of transparency please visit the following link to view the FY 20/21 Actuarial Valuation Report FY 20-21.

http://bbpdp.org/docs_state/ActuarialValuation/Actuarial%20Valuation%20as%20of%20October%201,%202020.pdf#zoom=100

INVESTMENT REPORT:

Mr. Darrin Hogsed made the presentation to the Board on behalf of Russell Investments with a review of Q-2 for FY 22-23. Mr. Hogsed began with the performance of this quarter was driven by some of the largest names in the index:



- > Q1 performance was driven by outsized returns from some of the largest names in the index
- > Performance leadership rotates frequently between the largest companies and smaller components

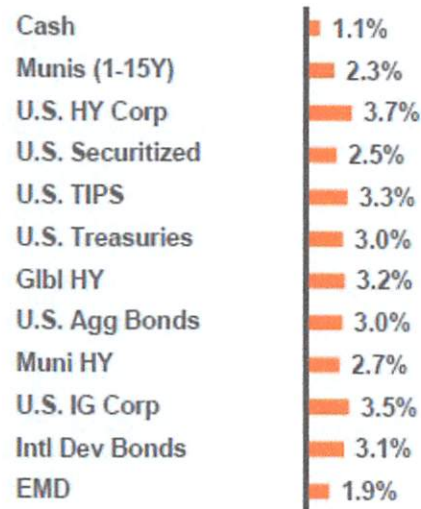
Mr. Hogsed then spoke about the improvements to fixed income for this FY .

2022 may have been the worst year ever for bonds, but we are seeing positive signs

2022 fixed income returns



YTD fixed income returns



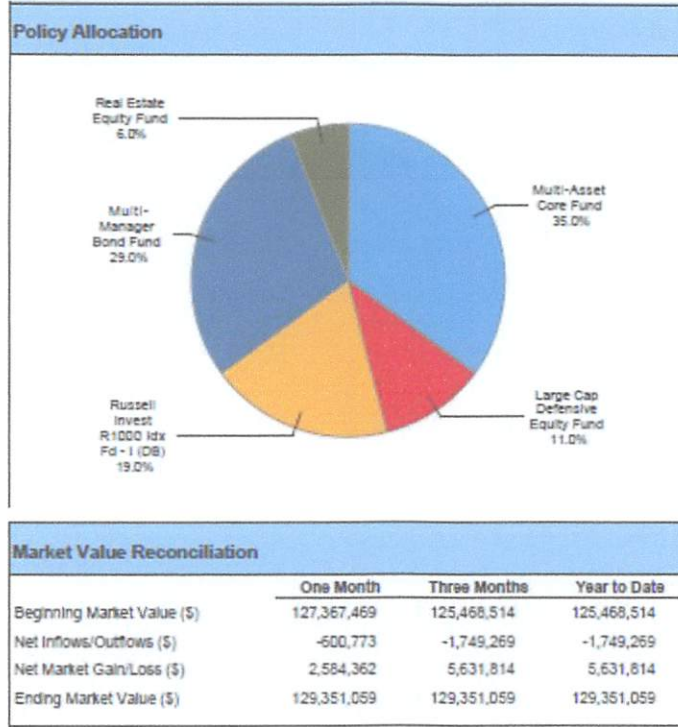
- > 2022 was a difficult year for fixed income as most asset classes were negative except for cash as volatility increased due to rising interest rates and the impacts of inflation
- > 2023 is off to a better start with more clarity around the pace and direction of rates and signs that inflation is starting to normalize

Mr. Hogsed spoke on the FY expectations for the Federal Reserve. Markets have adjusted expectations on the Federal Reserve actions for the remainder of 2023. Additional hikes were initially expected after a strong start to 2023, however now rate cuts are projected. Long term rates have declined relative to the end of 2022.

Mr. Hogsed stated the Q-2 was a positive quarter earning 4.41% net, underperforming the Consultants benchmark of 4.71.

Mr. Hogsed reviewed over the Asset Summary as listed below:

	Ending Market Value	Actual Holding	Policy Holding	Holding Variance
Multi-Asset Core Fund	\$44,243,442	34.2%	35.0%	-0.8%
Large Cap Defensive Equity Fund	13,892,441	10.7	11.0	-0.3
Russell Invest R1000 Ibx Fd - I (DB)	25,187,694	19.5	19.0	0.5
Multi-Manager Bond Fund	35,701,759	27.6	29.0	-1.4
Real Estate Equity Fund (E)	8,376,341	6.5	6.0	0.5
Private Credit Fund I LLC (E)	1,147,076	0.9	0.0	0.9
Cash, Payable/Receivable	602,307	0.6	0.0	0.6
Total Assets	129,351,059	100.0	100.0	0.0



Mr. Hogsed reviewed over the real estate sell off and the position of the fund at this time:

City of Boynton Beach Private Real Estate Trading As of March 31, 2023



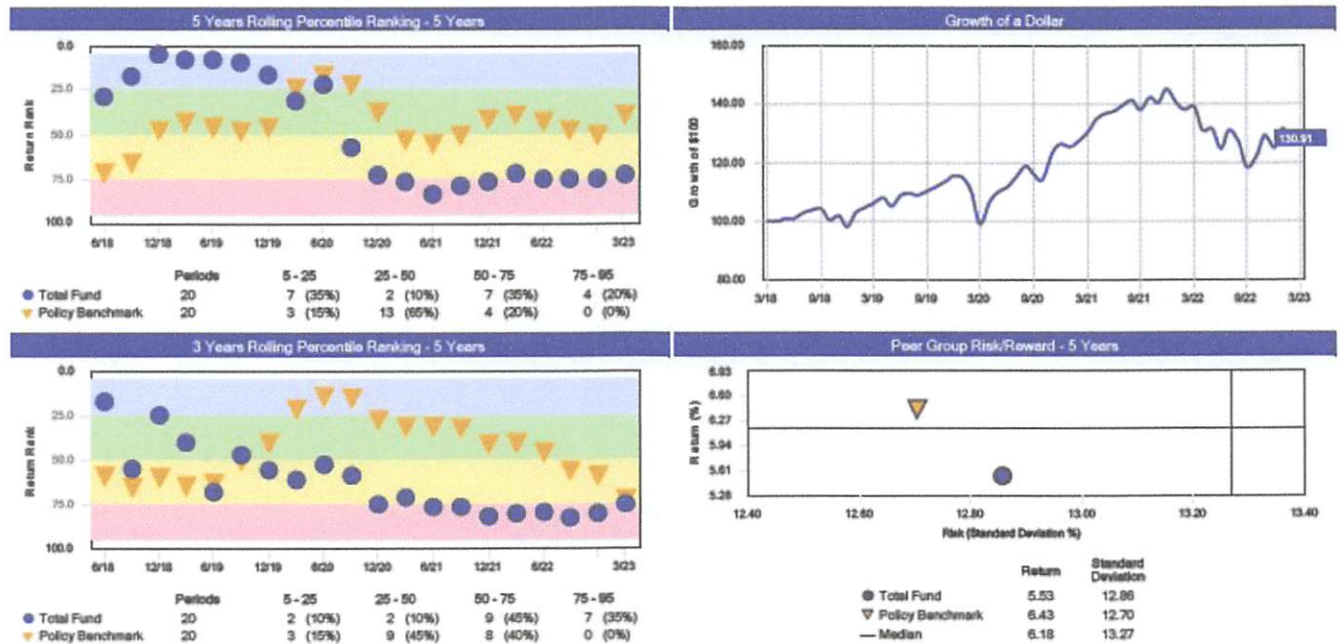
- > Russell private real estate fund is quarterly valued and traded.
- > Clients do receive a pro-rata allocation of what is available to redeem.
- > A de minimis allocation allows for up to 10% of available funds to clear smaller clients in each quarter.
- > Initial rebalance amount: \$1,446,819
- > April pro-rata allocation: \$140,607
- > Residual rolled over to 2Q: \$1,306,212

Before concluding his report Mr. Hogsed advised the Board he will be making some changes to the Multi-Asset Core Fund to better position it for investment returns.

INVESTMENT MONITOR REPORT:

Mr. Frank Wan presented to the Board on behalf of Burgess Chambers & Associates. He began the report by reviewing the positive steps the Board has taken to improve their investment performance. One was Negotiating fee reduction with Russell Investments and placing funds in the Russell 1000 Index.

Mr. Wan the reviewed over previous investment performance of the past three- and five-years percentile ranking, and the plan to improve the investment performance moving forward:



Historical Statistics - 5 Years							
	Return	Standard Deviation	Alpha	Beta	Shape Ratio	Down Market Capture	Up Market Capture
Total Fund	5.93	12.86	-0.87	1.01	0.38	102.80	95.84
Policy Benchmark	6.43	12.70	0.00	1.00	0.45	100.00	100.00

Historical Statistics - 3 Years							
	Return	Standard Deviation	Alpha	Beta	Shape Ratio	Down Market Capture	Up Market Capture
Total Fund	9.68	12.26	-0.09	0.98	0.75	99.75	98.43
Policy Benchmark	8.83	12.42	0.00	1.00	0.78	100.00	100.00

Mr. Wan reviewed over the asset allocation and performance for the last quarter:

	Market Value	QTD ROR - Rank	FYTD ROR - Rank	1 Year ROR - Rank	3 Year ROR - Rank	5 Year ROR - Rank
Total Fund	129,351,059	4.4	10.2	-6.5	9.0	4.8
Policy Benchmark		4.9	10.7	-6.2	9.9	6.4
Russell 1000 Index Fund - SR I	25,187,694	7.4 (32)	15.3 (52)	-8.4 (61)	N/A	N/A
Russell Large Cap Defensive Equity (CF)	13,892,441	5.3	15.2	-4.8	16.4	10.0
Russell 1000 Index		7.5	15.2	-8.4	18.6	10.9
Russell Multi-Asset Core (CF)	44,243,442	5.2	14.8	-7.9	13.8	4.2
Multi-Asset Core Composite Index		5.5	14.0	-6.3	13.9	6.7
Russell Multi-Manager Bond (CF)	30,351,001	3.4	5.6	-5.1	-1.7	0.9
Fixed Income Benchmark		3.0	4.9	-4.8	-2.8	0.9
Russell Real Estate Equity (CF)	8,376,341	-3.8	-7.8	-4.5	5.9	5.5
Real Estate Benchmark		-3.2	-8.0	-3.1	8.4	7.6
Private Credit Fund I, LLC	1,147,076	-5.4	-7.0	N/A	N/A	N/A
Russell Private Credit Proxy Account	5,350,758	3.6	5.9	N/A	N/A	N/A
Blmbg. U.S. Aggregate Index		3.0	4.9	-4.8	-2.8	0.9
Russell ST Inv Cash Sweep (CF)	802,307	0.0	0.0	0.0	0.1	1.5
ICE BofAML 3 Month U.S. T-Bill		1.1	1.9	2.5	0.9	1.4

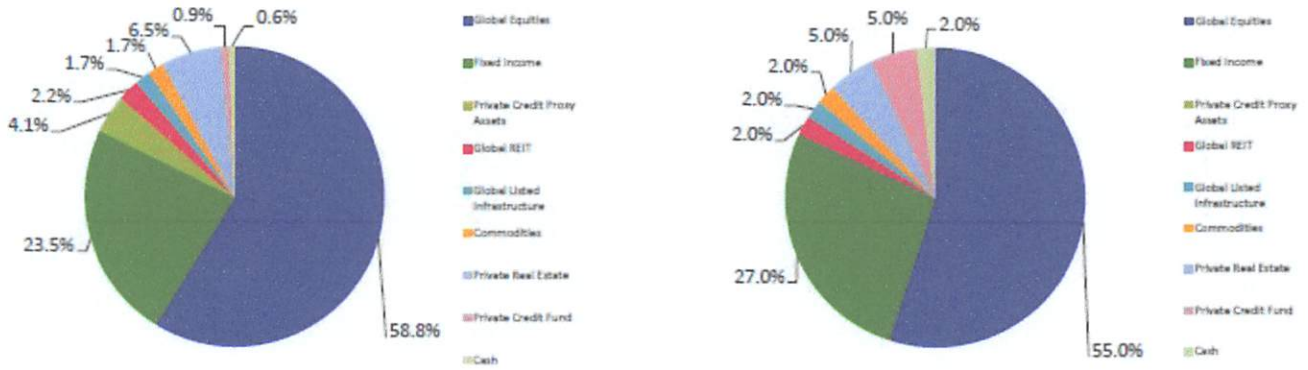
With the continued lagging performance of the Fund as discussed in the April 10th Special meeting, the administrative paperwork was completed with Salem Trust to receive funds from Russell Investments to place into a passive Index Fund.

There are three transfers of \$10 million dollars each scheduled to be done this year. The dates will be May 10th, May 24th, and June 7th.

- The funds chosen will be 70% into Fidelity index and 30% Fidelity US Bond Index.
- Administrator Penque will facilitate the Transfers as dated.

Mr. Wan advised that moving the \$30,000,000 into this passive fund will save the fund an additional \$200,000.00 in fees. This will also help reduce the fund's exposure to international funds, currently at 19.8%. This led into a review of the fund's actual vs target asset allocation;

**Boynton Beach Police Pension Fund
Actual vs. Target Asset Allocation
March 31, 2023**



		MV (\$)	Current	Target	Difference
Global Equities	\$	76,032,757	58.8%	55.0%	3.8%
Fixed Income	\$	30,351,001	23.5%	27.0%	0.6%
Private Credit Proxy Assets	\$	5,350,758	4.1%		
Global REIT	\$	2,892,582	2.2%	2.0%	0.2%
Global Listed Infrastructure	\$	2,251,760	1.7%	2.0%	-0.3%
Commodities	\$	2,146,477	1.7%	2.0%	-0.3%
Private Real Estate	\$	8,376,341	6.5%	5.0%	1.5%
Private Credit Fund	\$	1,147,076	0.9%	5.0%	-4.1%
Cash	\$	802,307	0.6%	2.0%	-1.4%
Total		129,351,059	100.0%	100.0%	0.0%

Total International = 19.8% (This calculation includes foreign equity, REIT, listed infrastructure, and fixed income)

For purposes of transparency please visit the following link to view the entire investment report.

[http://bbdpd.org/docs/investments/2018-09-30%20Boynton%20Beach%20Police%20\(Quarterly%20Report\).pdf#zoom=100](http://bbdpd.org/docs/investments/2018-09-30%20Boynton%20Beach%20Police%20(Quarterly%20Report).pdf#zoom=100)

ATTORNEY REPORT:

Attorney Bonni Jensen Advised the Board that the annual F-1 reports are due.

She also reported that H.B. 3 passed recent legislation, which will require the Board to file a detailed report on their investments. The details are not worked out as of this meeting and Ms. Jensen will be in contact with the DOR for the requirements of the report.

PLAN ADMINISTRATOR REPORT:

Administrator Penque reported the following updates since the last Board meeting:

There was a question on what dates the City uses for the pensionable Overtime 300-hour cap. Administrator Penque received an answer from HR that it is tracked by calendar year and not the city's FY. There is a report that HR maintains.

Administrator Penque provided the Board with a signed copy of the Professional Service Agreement with Ms. Kennedy as the plans Bookkeeper. Ms. Kennedy was provided with Auditor's access to the plan and is currently working on reconciling back to September 2022. Ms. Kennedy will be attending the August 9th meeting to present her report.

The Board was provided with the State letter for the I.P.S. adding the 70/30 passive fund held outside of Russell Investments.

The Board was provided with a copy of the administrative forms that were completed with Salem Trust.

The Board was provided with a copy of the new Fiduciary Liability Insurance Policy.

The Board was provided with the June 1st Special pay. Trustee McDeavitt made a motion to approve as presented, which was seconded by Trustee Faine. All Trustees voted yes, and the motion was passed 4-0.

Retirement this quarter: a) Jeff Williams 04/1/2023 b) Patrick Monteith 04/1/2023 c) Rocky Zavattaro 05/1/2023(Vested Deferred) d) Charles Ramos 05/1/2023.

DROP Member this quarter: a) Henry Crowell 3/1/2023.

NEW/UNFINISHED BUSINESS:

None

ADJOURN:

The meeting was adjourned at 12:05 PM.

Next Regular Scheduled Meeting: August 08, 2023, at 10:30 AM.



Jason Llopis, Chairman
FOR THE BOARD